

LENDINGTREE INC
Form 10-Q
November 15, 2002

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

Form 10-Q

(Mark one)

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 2002

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____.

Commission File Number 000-29215

LENDINGTREE, INC.

(Exact name of registrant as specified in its charter)

Delaware

25-1795344

(State or other jurisdiction of
incorporation or organization)

(I.R.S. Employer
Identification No.)

**11115 Rushmore Drive
Charlotte, North Carolina**

28277

(Address of principal executive offices)

(Zip code)

(704) 541-5351

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [].

As of October 31, 2002 there were 22,331,571 shares of Common Stock, \$0.01 par value, outstanding. Additionally, there are 392,590 shares of treasury stock issued but not outstanding.

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PRODUCTS MENTIONED IN THIS REPORT ARE USED FOR IDENTIFICATION PURPOSES ONLY AND MAY BE TRADE NAMES OR TRADEMARKS OF LENDINGTREE, INC. OR THIRD PARTIES.

PART I Financial Information**Item 1. Consolidated Financial Statements.**

LendingTree, Inc.
Consolidated Balance Sheets
(unaudited)

	September 30, 2002	December 31, 2001
	(\$ in thousands)	
Assets		
Current assets:		
Cash and cash equivalents	\$ 4,093	\$ 3,400
Restricted cash	9,586	2,764
Total cash and cash equivalents and restricted cash	13,679	6,164
Accounts receivable, net of allowance for doubtful accounts	18,150	11,438
Prepaid expenses and other current assets	1,553	1,174
Total current assets	33,382	18,776
Equipment, furniture and leasehold improvements, net	1,888	2,016
Software, net	1,219	2,854
Intangible assets, net	1,916	3,667
Other assets	272	618
Total assets	\$ 38,677	\$ 27,931
Liabilities and Shareholders' Equity (Deficit)		
Current liabilities:		
Accounts payable	\$ 5,456	\$ 4,508
Deferred revenue	1,285	2,013
Accrued incentive and other compensation	4,104	5,627
Accrued professional services and other fees	216	444
Accrued consumer promotional costs	1,144	1,709
Accrued other expenses	2,346	1,774
Current portion capital lease obligations	381	743
Total current liabilities	14,932	16,818
Deposits by subtenants	122	145
Capital lease obligations	19	291
Commitments and contingencies (Note 9)		
Mandatorily redeemable securities		
Series A convertible preferred stock, \$.01 par value, 8% cumulative, 6,885,715 shares authorized, 6,038,940 and 6,885,715 shares issued and outstanding at September 30, 2002 and December 31, 2001, respectively	21,685	23,878
Shareholders' equity (deficit):		
Common stock, \$.01 par value, 100,000,000 shares authorized, 22,265,655 and 19,907,034 shares issued at September 30, 2002 and December 31, 2001, respectively	227	199
Treasury stock (392,590 shares at September 30, 2002 and 661,996 shares at December 31, 2001, at cost)	(2,494)	(4,170)
Additional paid-in-capital	131,769	121,675
Accumulated deficit	(124,391)	(127,064)
Deferred compensation	(851)	(1,477)
Notes receivable from officers	(2,341)	(2,364)

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Total shareholders' equity (deficit)	<u>1,919</u>	<u>(13,201)</u>
Total liabilities and shareholders' equity (deficit)	<u>\$ 38,677</u>	<u>\$ 27,931</u>

The accompanying notes are an integral part of these consolidated financial statements

LendingTree, Inc.
Consolidated Statements of Operations
(unaudited)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2002	2001	2002	2001
	(in thousands, except per share data)		(in thousands, except per share data)	
Revenue:				
Exchange	\$ 30,392	\$ 15,243	\$ 73,159	\$ 40,397
Lend-X technology	549	1,960	3,517	4,871
Total revenue	30,941	17,203	76,676	45,268
Cost of revenue:				
Exchange	4,478	3,033	10,923	9,314
Lend-X technology	275	277	877	1,075
Total cost of revenue	4,753	3,310	11,800	10,389
Gross margin:				
Exchange	25,914	12,210	62,236	31,083
Lend-X technology	274	1,683	2,640	3,796
Total gross margin	26,188	13,893	64,876	34,879
Operating expenses:				
Product development	817	1,137	2,378	3,386
Marketing and advertising	13,813	9,973	36,681	29,447
Sales, general and administrative	7,772	5,362	23,393	25,927
Total operating expenses	22,402	16,472	62,452	58,760
Income (loss) from operations	3,786	(2,579)	2,424	(23,881)
Loss on impaired investments				(350)
Interest and other non-operating income	136	176	559	522
Interest expense, financing and other charges	(93)	(590)	(310)	(718)
Net income (loss)	3,829	(2,993)	2,673	(24,427)
Accretion of mandatorily redeemable convertible preferred stock	(165)	(155)	(509)	(361)
Dividends on mandatorily redeemable convertible preferred stock	(459)	(577)	(2,936)	(1,538)
Net income (loss) available to common shareholders	\$ 3,205	\$ (3,725)	\$ (772)	\$ (26,326)
Net income (loss) per share:				
Basic	\$ 0.14	\$ (0.20)	\$ (0.04)	\$ (1.37)
Diluted	\$ 0.12	\$ (0.20)	\$ (0.04)	\$ (1.37)

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Weighted average shares	basic	22,202	18,976	20,803	19,190
		<u> </u>	<u> </u>	<u> </u>	<u> </u>
Weighted average shares	diluted	32,204	18,976	20,803	19,190
		<u> </u>	<u> </u>	<u> </u>	<u> </u>

LendingTree, Inc.
Consolidated Statements of Cash Flows
(unaudited)

	For the Nine Months September 30,	
	2002	2001
	(\$ in thousands)	
Cash flows used in operating activities:		
Net income (loss)	\$ 2,673	\$(24,427)
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Loss on disposal of fixed assets		3
Depreciation and amortization	5,241	5,851
Provision for doubtful accounts	339	(98)
Loss on impairment of investment		350
Compensation charge related to officer note		1,365
Amortization of deferred equity based compensation	646	728
Issuance of warrants and other costs in conjunction with revolving credit facilities		481
Amortization of deferred financing costs	104	86
Non-cash equity based compensation	187	358
Changes in assets and liabilities, net of effects from acquisitions:		
Accounts receivable	(7,051)	(2,123)
Prepaid expenses and other current assets	(405)	(12)
Other assets	268	(52)
Accounts payable	948	469
Accrued promotional costs	(565)	1,065
Accrued expenses	(804)	1,256
Deferred revenue	(728)	345
Deposits	(22)	19
Net cash provided by (used in) operating activities	<u>831</u>	<u>(14,336)</u>
Cash flows (used in) provided by investing activities:		
Purchases of short-term investments		(16,964)
Sales of short-term investments		21,641
Deposits to restricted cash	(32,553)	(27,084)
Use of restricted cash	25,731	23,218
Investments in software	(1,121)	(339)
Purchases of equipment, furniture, and leasehold improvements	(607)	(98)
Net cash (used in) provided by investing activities	<u>(8,550)</u>	<u>374</u>
Cash flows provided by financing activities:		
Proceeds from sales of common stock and exercise of stock options	3,731	206
Sale of treasury stock for employee stock purchase plan	620	
Payment of capital lease obligations	(634)	(532)
Net short-term borrowings		1,998
Fees paid related to debt and equity financing		(645)
Proceeds from private placement of common stock	5,642	
Proceeds from issuance of preferred stock		12,290
Payment of dividends on preferred stock	(970)	
Proceeds from repayment of officer note	23	68
Net cash provided by financing activities	<u>8,412</u>	<u>13,385</u>

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Net increase (decrease) in cash and cash equivalents	693	(577)
Cash and cash equivalents, beginning of period	3,400	2,666
	<u> </u>	<u> </u>
Cash and cash equivalents, end of period	\$ 4,093	\$ 2,089
	<u> </u>	<u> </u>

The accompanying notes are an integral part of these consolidated financial statements

